

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 04 ALGIERS 002245

SIPDIS

E.O. 12958: DECL: 11/07/2025

TAGS: [PREL](#) [PGOV](#) [EFIN](#) [MARR](#) [AG](#)

SUBJECT: POTENTIAL NEXT GENERATION ALGERIAN LEADER COMMENTS
ON CLANS, THE MILITARY, AND POLITICAL DYNAMICS

Classified By: Ambassador Richard W. Erdman, reasons 1.4 (b) and (d)

SUMMARY AND COMMENT

1. (C) Arslan Chikhaoui (strictly protect), a private consultant in his late thirties or early forties, has close ties to the Algerian military and intelligence communities, the business world, and the political leadership. A strong advocate of Algerian reform and modernization, Chikhaoui is a thoughtful observer of the local scene, a long-time participant in the prestigious Davos Conference, the nephew by marriage of MOD Minister-Delegate Guenaizia, a former communications adviser to former Armed Forces Chief of Staff Lamari, and an informal adviser to both President Bouteflika and Prime Minister Ouyahia. Chikhaoui, a UCLA Berkeley graduate, believes he can contribute most to the reform process at this stage from outside of government but expects to assume a senior position, including even the prime ministership, within the next 2-3 years. Over a one-on-one lunch with Ambassador November 5, Chikhaoui shared his thinking on: clans as the key to understanding the balance of political forces in Algeria; pro-French "lobbies" imbedded through Algerian bureaucracy; key military intelligence figures as a force for reform; the role of the military in revealing and prosecuting recent corruption cases; resistance to bank reforms; interpersonal relationships and tensions within the Algerian military; MOD Minister-Delegate Guenaizia's support for U.S.-Algerian military cooperation; and the potential dangers of not opening up the political system in a way that permits real political debate, includes the younger, post-Liberation war generation in decision-making, and assures peaceful political change. (End Summary and Comment)

CLANS ARE KEY TO UNDERSTANDING
BALANCE OF POLITICAL FORCES IN ALGERIA

2. (C) Chikhaoui said there were about 15 major clans in Algeria, the elements that made up the balance of forces in Algerian society. The clans played an informal but important role in shaping government decisions, implementing decisions, and securing financial favors, jobs, party and government positions, housing, and other perks. The important clans had a heavy regional cast and most involved a mixture of business, military, banking, civil society figures, and a least one senior Sonatrach executive, in order to assure access to Algeria's cash cow. Other clans involved functional groupings centered around generals, political personalities like former President Chadli and Zeroual, and francophiles. The regional and functional clans overlapped to some extent and their influence was sometimes cross-cutting. For example, Military Intelligence Chief Mediene and former Armed Forces Chief Nezzar were associated with the same clan but the former supported Bouteflika and the later despised him. In the reform process, it was the second and third tier of these clans imbedded in government bureaucracies that were often responsible for delaying or blocking reform efforts being pushed by President Bouteflika.

3. (C) Among the fifteen clans there were two from the Kabilye and an assortment of others from places like Souk Ahras and Annaba, Batna, Tlemcen, and Tiaret. The clans from Souk Ahras were very close and often collaborated, as did the others when interests meshed. While the clans from the East were spread out among various cities, the clan from "the West" was fairly unified and included many close associates of President Bouteflika. Asked for specific examples, he said Minister Belkhadem was from the Tiaret clan, which was traditionally linked to the zaouias in the region. He commented that Belkhadem had never gotten involved in the financial/business side of clan dealings. Belkheir, probably the smartest individual in the leadership, came from the same clan initially, though he now had cross-cutting interests, remained close to former President Chadli, with whom he worked closely in the 1980s, and of course had strong ties throughout the military. Long-serving Education Minister Benbouzid had kept his portfolio throughout numerous government changes because he was part of the clan associated with his brother-in-law, former President Zeroual. Chikhaoui said his own uncle-in-law, MOD Minister-Delegate Guenaizia, with whom he has relations both as a relative and a friend, was part of a clan involving generals who participated in the

1967 Six Day war. This group included Nezzar, Betchine, and Belkheir, though the later did not literally serve on the front. He said that while he did not have "proof," there was a good chance that his uncle was also linked to various generals by virtue of his suspected management of their financial interests during his fourteen years as Algeria's ambassador in Bern, Switzerland.
PRO-FRENCH LOBBIES PERVASIVE
WITHIN ALGERIAN BUREAUCRACY

14. (C) Chikhaoui commented that pro-French lobbies are found throughout the Algerian system, slowing what has been a steady evolution out from under the French umbrella. In this context, he said the recently announced \$4 million MEPI program to strengthen English teaching in Algeria via training of teachers, upgrading English curricula, and introducing new information technologies, was a particularly important step that would send a strong signal to the public about Algeria's priorities and direction. The pro-French lobbies had different motivations. Some were financial, i.e. kickbacks, payments, and favors for directing business toward French firms. In the military, the lobby was formed of those who had studied at elite French military academies like Sancerre, though this was changing as more and more Algerian officers concluded that France was a second-tier military power and looked to the U.S. for training, equipment, and technology.

15. (C) Many entrenched bureaucrats also had a clear pro-French bias, shaped by habit, ideological attitudes, and a desire to win favors such as visas for their friends and family, Chikhaoui commented. These attitudes, he suggested, sometimes blocked or delayed projects that could invite increased U.S. presence or influence. The inability of Fox News and the New York Times to get journalists accredited for purposes of preparing programs or supplements on investment/trade opportunities in Algeria could have been the result of such hidden forces. The Ministries of Culture and Communication (which have had responsibility for accreditations and have often been joined in the same ministry) were particularly notorious for the pro-French lobbies imbedded in their ministries. He recalled his own experience representing Business Week where he had circumvented MinCulture/Communication stonewalling by working directly with the Ministry of Commerce on a commercial publicity project (similar to the New York Times supplement), on grounds that it was not journalism, but marketing.

SOME KEY MILITARY LEADERS CONVINCED LACK
OF REFORM THE GREATEST THREAT TO STABILITY

16. (C) Chikhaoui said the military intelligence leadership was actually a progressive force in terms of fighting corruption and encouraging economic reform. Because their job was to coldly analyze the real threats to society and the system, they understood, as others did not, that failure to achieve visible and concrete progress in improving the living standards of the average citizen, via increased economic development and job creation, was the biggest threat to Algerian stability. In their analysis, it was in the military's interest to avoid a repeat of the situation in the late 1980s and early 1990s, when instability was mounting, the situation risked spinning out of control, and the military was faced with the unpalatable choice of chaos or intervention.

17. (C) To prevent such a situation from developing, senior figures like Military Intelligence Chief Mediene wanted to see action for reform and against corruption because they were key to unblocking the situation, allowing more rapid economic progress, job creation, and modernization of the country. Chikhaoui said that an important factor enabling some military circles to press for reform was the tacit deal offered by the National Reconciliation Charter. While the latter explicitly spared the military from prosecution for security offenses, it also implicitly signaled, in Chikhaoui's view, that in return for not blocking needed reforms and opening up the system, the military's past success in lining its own pockets through various schemes, legal, semi-legal, and illegal, would not be challenged.

RECENT BANK SCANDAL REVELATIONS REPORTEDLY
PART OF MILITARY'S ANTI-CORRUPTION EFFORTS

18. (C) Chikhaoui claimed that recent revelations concerning the diversion of huge sums abroad by the Banque Nationale d'Algerie were in fact prompted by Military Intelligence, and were just the first of such revelations involving diversion of state bank funds. (In a conversation 3-4 months ago, Chikhaoui said that a financial/business scandal involving Sonatrach employees had also been brought to light, and the employees suspended and prosecuted, as a result of a private memo Mediene wrote to President Bouteflika recommending such

action.) In the case of BNA, Chikhaoui said that military intelligence had "convinced" a BNA secretary to rat on her bosses and make photo copies of documents proving malfeasance. The secretary had been rewarded and promised full protection. Unsecured loans to well-connected political and military officials and even to prominent private sector individuals were also a source of corruption. In a country that purchased over 80 percent of its needs from abroad, over-invoicing and taking personal commissions on imports were also common methods of distributing petroleum "rent," lining pockets, and transferring funds abroad.

GREATEST RESISTANCE TO BANKING REFORM
COMES FROM WITHIN THE STATE BANKS

19. (C). Modernization and privatization of the banking system would go a long way toward preventing or at least greatly reducing this kind of illegal activity, Chikhaoui contended. That was why some of the staunchest resistance to banking reform came from inside the state banks, where there was a culture of non-transparency and vested interests. In this regard, he claimed, the Prime Minister's famous banking directive (instructing state enterprises to use only state banks) was actually drafted by the heads of three state banks. The latter interpreted the President's much more general instruction not to allow a repeat of the Khalifa scandal -- where over \$2 billion public monies were lost due to inadequate regulatory supervision and Khalifa's collapse -- to their own advantage by drafting a directive that brought them the business of private banks. Chikhaoui noted that the subsequent but delayed replacement of the state bank directors involved in orchestrating this step backward had sent a quiet but clear signal of the direction in which the government wanted to move.

DIFFICULT PERSONAL RELATIONS
IN SENIOR MILITARY RANKS

110. (C) Chikhaoui said MOD Minister-Delegate Guenaizia and MOD SYG Senhadji had very poor personal relations. Senhadji had asked to retire several months ago but Bouteflika had refused permission, leaving Senhadji in an awkward position, with diminished authority and purely administrative work. He said Senhadji would likely be going off before long to NATO to represent Algeria, which was an honorable exit and an orientation of growing importance for Algeria. According to Chikhaoui, Guenaizia also couldn't stand Armed Forces Chief Gaid-Salah and had told Bouteflika he "could not continue to work this way" (i.e., with Gaid-Salah). While it had been thought Gaid-Salah would retire in October, this has now been pushed forward into the new year. In a previous conversation, Chikhaoui said that generals from eastern clans were responsible for pressing Bouteflika to create the new position of Minister-Delegate for National Defense and to name his uncle, an easterner, to the post. The reason was that eastern military clans were upset that so many senior positions -- including presidential Chief of Staff Belkheir, the current and former Finance Ministers (Medelci and Benachenhou), Privatization Minister Temmar, Energy Minister Khelil, and MOD Secretary General Senhadji, among others -- were filled by "westerners."

GUENAIZIA SEES U.S.
AS STRATEGIC PARTNER

111. (C) Asked how Guenaizia felt about cooperation with the U.S., Chikhaoui said in the early post-independence days his uncle, like many others at the time, opposed what was seen as American "imperialism" and wanted to keep distance. He had significantly evolved since then, however, and his views had been influenced by his 14 years in Switzerland, where he had attended Davos conferences and gained a much better and more realistic view of the world, modernization, and globalization. During these years, he came to see France as essentially a second-rate military power that, with all the changes in the world and the end of the Cold War, no longer had a viable economic model, a real military mission, or much that was useful to teach Algeria. By contrast, and in the context of converging interests with the U.S., he had come to see the U.S. as an important strategic partner for Algeria. Chikhaoui quoted him as saying that Algeria needed to frankly recognize that "the U.S. does not need Algeria; it is Algeria that needs the U.S." In a word, Guenaizia was very supportive of current trends toward increased military cooperation.

DESPITE OPTIMISM RE FUTURE, LACK
OF AUTHENTIC POLITICAL LIFE A WEAKNESS

112. (C) Chikhaoui overall voiced optimism about the future. Prospects for Algerian economic growth and change were especially good over time, and steps had been taken that would make current trends difficult to reverse. Bouteflika

dominated the political scene and was using his authority to press for reform, despite resistance from vested interest and lower levels of the bureaucracy. Non-violent fundamentalism was a problem, but was manageable in his view. Politically, Algeria basically remained an oligarchy, with youth on the sidelines, real power in the hands of older political and military elites, a "democracy of clans" at best, and political parties weak and not representing the real forces in society in a way that allowed real debate, mediated political pressures, and promoted peaceful change over time.

In Chikhaoui's view, the government was making a mistake by not agreeing to give political groupings like Wafa formal status as a recognized political party. By default, therefore, the real dividing lines politically were not the formal political parties but, more generally, "the establishment" and its parties versus Islamic voices not allowed a formal political voice. By not opening up the system more quickly and providing expanding opportunities to the younger generation, the government risked ceding ground to Islamic elements that were skilled in appealing to the young, cynical, and disenfranchised. Despite this difference, the establishment and the Islamic forces generally shared the same autocratic mindset, Chikhaoui commented. Real change would only come when new blood from the younger generation was brought into decision-making in a meaningful way.

ERDMAN